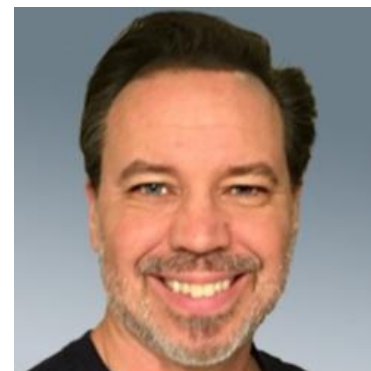


MBS & TREASURY MARKETS

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MBS Recap: Bonds Brace For Election Results



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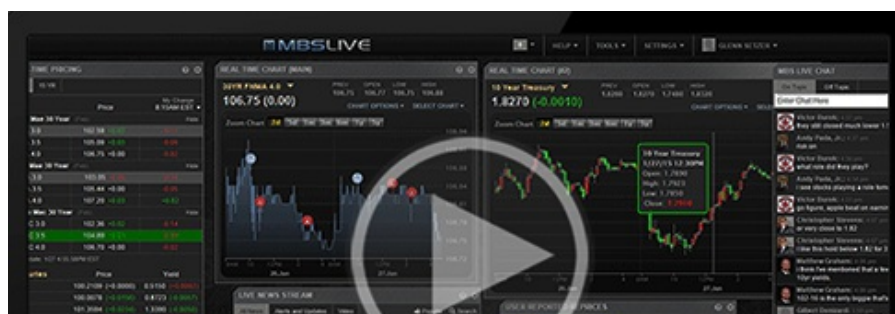
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Bonds Brace For Election Results

MBS Recap | Matthew Graham | 4:53 PM

It was an interesting round trip for the bond market today as overnight weakness gave way to even higher yields after the ISM Services PMI. ISM was legitimately stronger than expected, and other than the direction of the move, it was good to see bonds remaining willing to react to econ data. But there was a greater willingness to react to "other things" in the afternoon. One of those may have been a well-received Treasury auction considering yields dropped shortly thereafter. A separate move in the 2pm hour accounted for an even bigger rally, and that's the one without any clear scapegoat. Chalk it up to pre-election positioning and count on substantially bigger volatility tomorrow.





Watch the Video

Alert

10:05 AM Losing Ground After ISM Data

MBS Morning

11:08 AM Bonds Still Willing to React to Econ Data

Econ Data / Events

- ○ S&P Services PMI
 - 55.0 vs 55.3 f'cast, 55.2 prev
- ISM Services
 - 56.0 vs 53.8 f'cast, 54.9 prev
 - employment 54.0 vs 48.0
 - Prices 58.1 vs 58.0

Market Movement Recap

- 10:16 AM Weaker overnight and selling more after data. MBS down a quarter point and 10yr up 6.9bps at 4.354
- 01:03 PM Decent 10yr auction, but not a big market mover. 10yr up 5.6bps at 4.34% and MBS down 2 ticks (.06).
- 02:08 PM Better gains now. MBS unchanged and 10yr up only 3.3bps at 4.318
- 04:50 PM Fully recovered now, and then some. MBS up 9 ticks (.28) and 10yr down half a bp at 4.28.

Lock / Float Considerations

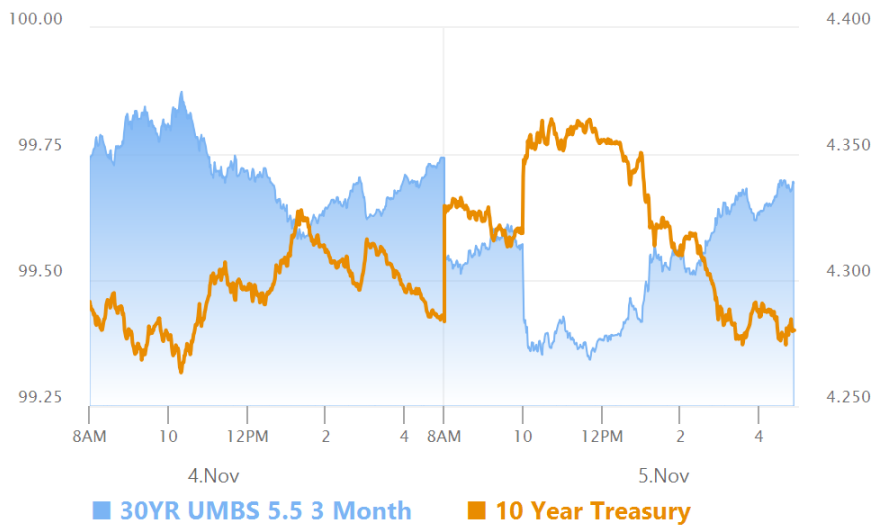
The potential volatility for Wednesday cannot be overstated. The clearer the election result becomes, the bigger the movement could be, in either direction. All bets are off until the results are confirmed.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.49
 - o 4.43

- Floor/Resistance
 - o 4.12
 - o 4.20
 - o 4.30
 - o 4.35

MBS & Treasury Markets



MBS

30YR UMBS 5.5		+
30YR UMBS 6.0		+
30YR GNMA 5.5		+
15YR UMBS-15 5.0		

US Treasuries

10 YR	4.280%	-0.005%
2 YR	4.184%	+0.022%
30 YR	4.440%	-0.025%
5 YR	4.156%	+0.014%

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